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German Elections Open New Chapter in Europe

The results of the elections held in Western Germany on August 14—the first free elections since 1933—have been received by the world with mixed feelings. Twenty-three million Germans, or almost 80 per cent of those eligible, went to the polls to elect representatives to the lower house of the new West German government, the Bundestag, which is to convene at Bonn on September 7, when it will choose the Chancellor. Foreign observers agreed, however, that the Germans appeared to be voting more out of a sense of duty than because of enthusiasm for what we call democracy.

Of the two principal parties, the Christian Democrats came out with 7,357,579 votes and 139 seats, and the Social Democrats with 6,932,272 votes and 131 seats. The Communists suffered a striking defeat, even in the industrial areas of the Ruhr, winning 1,360,443 votes and 15 seats. This defeat, generally attributed to the growing unpopularity of Russia among Germans, has caused some people to wonder whether the danger of German communism had not been overrated by Western spokesmen. As striking as the defeat of the Communists was the victory of Rightist parties. The Free Democrats, who draw their main strength from the upper middle class, are conservative in economic affairs, and stress freedom of the individual from state and other controls, won 2,788,653 votes and 52 seats. The Bavarian party, segment of the Christian Democrats, intensely conservative and favorable to Bavarian separatism, won 986,606 votes and 17 seats. The German party, which includes some

former Nazi elements and favors uncontrolled economy, won 940,088 votes and 17 seats.

A Victory for Democracy?

In the United States the German elections were hailed as a demonstration that the Germans, to quote the title of a *New York Times* editorial, are “for democracy.” This was partly due to the poor showing made by the Communists, but primarily to relief felt by many here that the Social Democrats, who advocate nationalization of coal and steel, had not emerged as the principal party in Western Germany. The Christian Democrats in their party platform adopted at Ahlen in 1947 declared: “The new structure of German industry must be founded on the principle that the time of the unlimited mastery of private capitalism is gone. We must, however, prevent private capitalism from being replaced by state capitalism which is even more dangerous for the political and economic freedom of the individual.” Since then, the party has become closely identified with the ideas of Professor Ludwig Erhard, slated for the post of Minister of Economics, who wants to do away with all government controls. In Washington it is hoped that the Christian Democrats will co-operate harmoniously with the United States and not be tempted to look toward Moscow. It would be premature, however, to assume that the Christian Democrats are necessarily proponents of either democracy or free private enterprise in the American sense of these words. The party’s left-wing headed by Karl Arnold favors some degree of so-

cialization, and has urged Christian Democratic leader Dr. Konrad Adenauer to explore the possibility of forming a coalition government with the Social Democrats. But the Social Democrats, led by the fiery Dr. Kurt Schumacher who during the election campaign vied with his Rightist opponents in violent assertions of nationalism, have made it clear they do not want to participate in a Christian Democratic government. They contend that the “no control” policies of Erhard, already started by him when he served as Economics Minister of the Bizonal Economic Council, will lead to unemployment, chaos and misery in Western Germany, which now has over a million unemployed out of a population of 45 million. The Christian Democrats, for their part, issued a statement on August 21 affirming a free-enterprise program for the future government, and rejecting coalition with the Social Democrats.

Resurgence of Nationalism

The Christian Democrats will thus have to turn to the Rightist parties for coalition material. To what extent this will force them to accept the neo-Nazi ideas of the more militant Rightists who are now emerging from postwar obscurity, and in what measure this, in turn, may cause their own left-wing members to seek affinities among the Social Democrats, only the future can show. On one point all German parties were in solid agreement in their election propaganda. That was in their vigorous denunciation of the occupying powers, coupled with demands for

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restoration of Germany's prewar boundaries, including the Saar, which France wants to annex economically, and the territories of Eastern Germany "assigned" to Poland at Potsdam pending conclusion of a German peace treaty.

It was to be expected that German nationalism would reassert itself the moment Allied controls began to be whittled down; and Americans who had hoped to "re-educate" the Germans in a few years within the framework of a necessarily authoritarian military government had not taken the strength of German traditions sufficiently into account. Dr. Carl J. Friedrich of Harvard University, writing in the *American Political Science Review* of June 1949, makes an interesting comment on this point: "Rationally speaking, it seemed so easy, once all the structures of the past had been swept away by unconditional surrender, 'to build democracy from the grass roots,' and eventually to arrive at one of the proven workable schemes of democratic government, whether it be the American, the Swiss, or the British. But the 'grass roots' upon which the conquerors stood were, symbolically speaking, the Catholic Bavarian village and the Marxist trade union. Authoritarian faith and economic parochialism—these were the two roots of local community which, by grafting a synthetic nationalism upon them, the imperialism of Bismarck, the Utopianism of Weimar, and the racism of Hitler had sought to exploit in turn."

Will Germans Go West or East?

While the Germans could not be expected to change overnight, it is understandable that nations which only four years ago were overrun by the Germans should view this new outburst of German nationalism with little satisfaction. Even in the United States Secretary of State Dean Acheson, on August 16, while welcoming the election results as a "victory for moderation and common sense," noted the sharp criticism of the occupation powers during the election campaign, and warned that "abuse of such freedoms may alienate Western sympathies while failing to serve the best interests of the German people." And in Britain, whose Labor government had been favorable to the Social Democrats, the *London Times*, saying it had been hoped the German government "would be essentially moderate," went on to declare: "It cannot be denied that the elections have made (this) more difficult to achieve."

Although the Christian Democrats, in their party platform, have announced their desire to have Germany join a Western European Union, it is not a foregone conclusion that a coalition of Christian Democrats and Rightist parties will turn a deaf ear to approaches by Moscow. True, Dr. Adenauer, who is expected to become Chancellor, stated on August 16 that he will not collaborate in any way with the Russians. Yet four days later it was reported that Rudolf Nadolny, former Russian Ambassador to Moscow—whose feelers for a German-Russian rapprochement last spring caused many Germans to recall Rapallo—would hold conversations with leaders of Christian Democrats and Free Democrats at Bad Godesberg beginning August 28. Among those expected to come from the Russian-controlled Eastern zone is Dr. Ferdinand Friedensburg, deputy mayor of Berlin and one of the local leaders of the Christian Democratic party.

The Russians, who for the time being cannot count on a political victory of the German Communists, have two inducements to offer to German Rightists: the hope of achieving national unity, which remains the paramount objective of all Germans; and the prospect of markets and sources of food and raw materials in Eastern Europe and the U.S.S.R. Those of us who believe that conservative German industrialists would under no circumstances do business with Stalin may do well to remember that it was one of Germany's ablest industrialists, Walther Rathenau, who in 1921 concluded the Rapallo agreement with the Soviet regime. Meanwhile, on the Western side, Winston Churchill on August 17 called for inclusion of the West German state in the Council of Europe, whose Consultative Assembly, composed of 101 representatives from twelve countries* has been holding its first meeting at Strasbourg since August 8. Mr. Churchill suggested that an extraordinary session of the European Consultative Assembly be called in December or January to consider the admission of Germany. The French, who still want to be "shown" that the Germans have really changed, cautioned against undue speed in admitting the German Republic.

Economic Democracy an Issue

The principal issue raised by the German

*Belgium, Britain, Denmark, Eire, France, Italy, Greece, Luxembourg, Norway, Sweden, the Netherlands, and Turkey.

elections, however—and one that has received but scanty attention in our press—is whether in Germany economic control can continue to be divorced from political responsibility without jeopardizing the prospects from eventual democracy. Many Americans who believe that there is an intrinsic connection between democracy and free enterprise have assumed that the Germans before 1939 had free private enterprise in our sense of the term, and that, once it is restored, will have democracy. But in Germany control of the nation's production potential, which is also its war potential, has long been highly concentrated in a few hands. The Weimar Republic, whose constitution on paper set a democratic pattern, proved helpless to regulate the vast power held by a group of conservative industrialists who ultimately decided to throw their resources behind a demagogic leader in the hope that Hitler's form of extremism would safeguard them from the extremism of communism. Will the same process be repeated again? Is it realistic to speak of "free private enterprise" in Germany, where before 1939 large-scale industries, notably the steel and coal concerns of the Ruhr, combined into powerful cartels which prevented genuine competition by controlling production and prices, and where the choice, even before Hitler, had seemed to lie between capitalistic monopolies and some form of socialism? And can the United States hope to proceed with decartelization, which so far has been relatively sketchy, once the West German government has been established, without antagonizing industrialists who support the Rightist parties?

Nor is the problem of the relationship of economic to political power in European industrial states, and of our attitude toward it, limited to Germany. It has become popular again to "twist the lion's tail"—this time not about Britain's colonial possessions, but about its Labor government. Full-page advertisements in several leading newspapers, paid for by American firms, picturing Britain "on the rocks," and editorials in similar vein from coast to coast, create the impression that socialism is the sole cause of Britain's economic difficulties; and that if only the Labor government could be overthrown and the Conservatives restored to power, Britain would soon return to its pre-1939 (or is it pre-1914?) position as the world's leading financial and exporting nation. These attacks, which usually neglect many

of the facts of Britain's economic situation as it has been developing for thirty years, as well as the growth of British social services since the first decade of the century, long before Labor took office, not only tend to confuse the public here but have brought tart rejoinders from Britain. This should not surprise us. Had similar denigration of our government and way of life been undertaken by British industrial concerns and newspapers, we would probably have regarded it as "disgraceful"—the phrase used by British War Minister Emanuel Shinwell. If it is hoped by this kind of attack to embarrass the Labor government on the eve of a critical general election, we may find that it will have the opposite effect of consolidating British opinion against the United States.

There are many features of British life

—among them the inherent conservatism of both employers and workers when it comes to modernization of industry—which we might well want to see changed; but there is just as little hope of altering the British character overnight as there is in the case of the Germans, the Japanese, or the Russians. It is legitimate for Americans to ask whether the British may not have committed errors in going ahead too fast with far-reaching changes under the strained financial conditions of the postwar period—although it might also be asked whether failure to make changes might not have lowered the morale of British workers, and thereby jeopardized production. Such an inquiry, however, should be kept apart from emotional reaction against socialism and the "welfare state." And if it is believed here that the

Conservatives, once in power, could, or would want to, overhaul the entire economic and social structure, then surprises may be in store for us. The Conservative *London Observer*, in an editorial of August 21, said that in the next two weeks, before the Anglo-American conference on financial problems opens in Washington on September 7, the British must try to dispel the popular American belief "that all Britain's economic ills are the result of misconceived and ill-timed Socialist policies." The *Observer* holds that there is little substance in such a view, and points out that the "welfare state"—target of many American attacks—is supported by all parties.

VERA MICHELES DEAN

(The first of three articles on current developments in relations between Europe and the United States.)

What Role Does U.S. Expect Japan to Play in Asia?

Where does Japan fit into the new regional Far Eastern policy now being sought by the Department of State?

The present American aim in Japan, as in Germany, is to convert the former enemy into an asset if not an ally. But the job of fitting Japan into an Asian bloc may prove even more difficult than fitting Western Germany into a West European bloc. Japan was explicitly omitted from President Elpidio Quirino's proposals for a Far Eastern league against communism, and both China and the Philippines have consistently protested against American efforts to restore the Japanese economy.

Asset or Liability?

In the strictly military sense, Japan is a doubtful asset. The heated controversy over what Secretary of the Army Kenneth C. Royall did or did not say at an off-the-record press conference in Tokyo last February revealed a difference of opinion on this subject in high Army circles. Whereas Lieut. Gen. Robert L. Eichelberger, former Eighth Army commander in Japan, advocates strengthening American forces in Japan, other high military authorities hold that Japan must be written off as probably indefensible in event of war, and that, in any case, Europe must be given priority in American military planning. However, there is no intention of military withdrawal from Japan under present conditions.

Politically, Japan may be counted on up to a point. The present conservative gov-

ernment of Prime Minister Yoshida, which in last January's election won a clear majority in the House of Representatives, is disposed to co-operate with the United States, strictly from motives of self-interest. But the Japanese are increasingly irked by continued American supervision over their affairs, and inclined, however irrationally, to blame the United States for their economic difficulties. The loyalties of the Japanese are to Japan, not to the United States or to concepts of freedom and democracy.

Economically Japan is still a serious liability. The drastic "austerity" program prescribed in the nine-point United States directive of last December has apparently checked the pace of inflation; prices and wages were fairly stable in the first three months of 1949, and complaints of "deflation" are beginning to be heard; but Japan is not by any means out of the woods.

The discharge of thousands of surplus workers, public and private, in the interests of rationalization, has met with resistance on the part of employers as well as employees, since it runs counter to established custom deeply rooted in paternalistic tradition. The discharges have created disaffection in all sections of organized labor, but Communist-inspired strikes and sabotage, contrary to some expectations, have as yet been of minor importance. Whether labor's present attitude is one of mature self-restraint, or cowed submission, cannot easily be determined. Certainly Japanese labor is less whole-

heartedly pro-American than it was two years ago, and General MacArthur's policy of curbing the union rights of government employees is credited with making many Communist converts. Yet the Social Democrats, who offer a channel of peaceful protest, also appear to be extending their influence among organized workers.

Demand for Civilian Rule

One result of the nine-point December directive was to exhibit openly the close control which SCAP had long actually, but unostentatiously, exercised over the economic policies of the Japanese government. This at first glance seems inconsistent with the policy announced by General MacArthur on May 2, of gradually transferring responsibility back to the Japanese. But on July 28 an order was issued abolishing the local military government teams (the process is to be completed by the end of the year), and later reports tell of reduction of SCAP's administrative personnel and devolution of authority to Japanese officials. In short, the trend is now clearly toward less detailed supervision of Japanese performance; but what General MacArthur has diplomatically described as "friendly guidance" is still exercised at the top.

General MacArthur told the Japanese on May 2 that the continued presence of American troops in their country was due to no fault of theirs but to international events; the role of the troops, he said, was protective, not punitive. The sugges-

tion is often heard that the civil affairs functions of the occupation be turned over to a civilian administration, as in Germany, leaving the Army in a purely garrison role. MacArthur, however, has stated that he does not intend to leave his job until a peace treaty has been signed.

The demand for a civilian administration comes partly from American liberals who feel that the original occupation aim of democratic reform has been largely abandoned, and partly from businessmen irked by restrictions on business enterprise. Considerable criticism of SCAP has recently been heard in the United States, to the effect that Japan's economic stagnation is mainly due to inept bureaucratic controls. Despite his many strong statements in favor of free private enterprise, General MacArthur has even been accused of fostering socialism in Japan. These criticisms are often well taken in so far as they concern specific examples of needless red tape or inefficient administration. General MacArthur, however, was on firm ground when he pointed out in the June 1949 issue of *Fortune* that: "So long as critical raw materials remain scarce, it would be fatal to economic recovery to remove allocation procedures. . . . Laissez-faire proposals have their place, but not in an economy of poverty."

Importance of Regional Trade

The basic problem for Japan's economic recovery is restoration of its overseas trade. The setting in April of a single exchange rate of 360 yen to the dollar was designed to foster private trade, and limited trade agreements have been concluded with a number of countries. Japan, however, is still heavily dependent on dollar imports which it cannot pay for. Its most natural trade connections are with its Asian neighbors, which in 1938 accounted for 50 per cent of its total foreign trade. China alone took approximately one-fourth of Japan's total exports and supplied one-sixth of its total imports before the war. China furnished the bulk of Japanese imports of pig iron, coal, beans and other raw materials, and was a major customer for machinery and manufactured products. Japanese businessmen are so anxious to reopen trade with Com-

munist China that some of them are cultivating the good will of Japanese Communists. It is, in fact, doubtful whether Japan can regain a self-supporting status so long as it is cut off from China. Hence, if the United States wishes to impose an economic blockade on Communist China, it will have to continue to subsidize Japan.

In the attempt to formulate a new regional policy for the Far East it is common to start by assuming that we have lost China, at least for the time being, but we still have Japan. But a Japan economically severed from China is a liability, not an asset. Recent studies by ECAFE* have demonstrated the vital importance for all Far Eastern countries of restoring intraregional trade, especially trade between Japan and its less highly industrialized neighbors. In the long run, no policy based on economic dismemberment can promote the economic health or political stability of the region as a whole or of any of its members—certainly not of Japan.

MIRIAM S. FARLEY

(Published in co-operation with the American Institute of Pacific Relations where Miss Farley is editor of the Far Eastern Survey. She was formerly a member of the SCAP staff in Japan.)

*The United Nations' Economic Commission for Asia and the Far East.

Analysis of U.S. Foreign Policy

The fall schedule of *Foreign Policy Reports* will be featured by the publication of three studies presenting up-to-the-minute information on the military, political and economic aspects of American foreign policy, appraised in the perspective of the postwar years. The first report in this series, "Military Establishment of the United States," containing a useful chart of government agencies concerned with military affairs, has been prepared by Blair Bolles, director of the Washington Bureau of the FPA, and will be published on September 1.

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News in the Making

The predicted *early end to the Greek civil war* brings the day closer when important decisions must be made not only by Athens, but by all the powers involved in the many-sided Balkan dispute. An ECA mission headed by Administrator Paul G. Hoffman visited Athens on August 18 to discuss the need of developing a long-range program of reconstruction and reform, hitherto sidetracked by military exigencies. . . . Collapse of formal military operations in northern Greece may make it possible for Russia to carry out the threats of "more effective measures" against Tito embodied in a Soviet note to Belgrade, dated August 20, protesting alleged persecution of Soviet citizens in Yugoslavia. These measures may take the form, observers believe, of actively encouraging the "United Macedonia" movement, including Yugoslav, Greek and Bulgarian Macedonia. . . . Latin Americans are wondering whether the United States-sponsored discussion of *Caribbean unrest* in the Organization of American States will have the effect of encouraging dictatorships. The Dominican Republic and Nicaragua are the chief targets of attempts at invasion or rebellion mounted by exiles who, according to Dominican accusations, are being encouraged by the governments of Cuba, Guatemala and Costa Rica. But on August 20 Costa Rica's envoy to Washington, Mario A. Esquivel, protested the secrecy surrounding the investigation and said a better approach would be to find a formula for eliminating dictators from the American continent. . . . The main objective of the *round-table conference between the Netherlands, the Indonesian Republicans and the Federalists*, which opened at The Hague on August 23, is to find a way of transferring the sovereignty the Dutch have held over Indonesia for 300 years to a new federation, to be known as the United States of Indonesia, comprising the Republic and the present loosely federated political units created by the Dutch since the end of the war against Japan.

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